



The President's Daily Brief

20 September 1973

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FOR THE PRESIDENT ONLY

THE PRESIDENT'S DAILY BRIEF

20 September 1973

PRINCIPAL DEVELOPMENTS

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[REDACTED] 25X1
[REDACTED] USSR [REDACTED]
[REDACTED]
[REDACTED] (Page 1) 25X1

Supporters of the ousted Allende government are organizing in exile, and the junta suspects they may be regrouping in Chile as well. (Page 2)

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The outlook for stability in European currency markets is clouded. (Page 3)

Kuwait may purchase French rather than US interceptor aircraft. (Page 4)

China [REDACTED]

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[REDACTED] the Soviets have resumed work on what is probably their second aircraft carrier. (Page 6)

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USSR

[Redacted]

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CHILE

The daytime calm in Santiago is still being supplanted at night by the sound of shooting and reports of heavy firefights in the suburbs. The military have been surprised by the number of weapons uncovered and are convinced that many more are in the hands of leftist extremists. The government is concerned by its failure to locate some prominent supporters of the ousted Popular Unity regime.

The army estimates that thousands of militant Marxists remain at large and believes that several hundred may be organizing in a rural area [redacted] well suited for guerrilla activity.

As of now, most visible antigovernment activity is taking place outside Chile. A "patriotic front" of Chilean exiles has been formed in Buenos Aires, [redacted]

[redacted] Other Latin American leftists are talking of sending "international brigades" to help fight the junta. A group of Popular Unity leaders is gathering in Rome and could try to form the nucleus of a government-in-exile seeking international support.

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So far, such activity is in the talking stage, but it could turn to action if a significant leftist insurgency should develop within Chile.

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INTERNATIONAL MONETARY DEVELOPMENTS

International traders, responding to rumors of a new European currency realignment--including a French devaluation--brought heavy pressure on the franc yesterday. The French, and to a lesser extent other EC central banks, intervened to the tune of more than \$400 million in order to support the franc.

Central bank intervention was far less than reported in some press stories. The rumors about realignment are feeding on the uncertainty created last weekend by the revaluation of the guilder, the announcement of France's first monthly trade deficit in over a year, and uneasiness over the rate of French inflation.

The outlook for stability in European currency markets is clouded; at a minimum continued central bank intervention will probably be required.

Foreign exchange dealers believe that the Belgians will feel constrained to revalue. A large portion of Belgium's trade is with Germany and the Netherlands, and both governments have revalued recently.

Belgian revaluation could ease pressures on France to devalue, but at the same time, it could add to pressures for revaluation of the mark.

The dollar has gained back some of the ground lost earlier this week.

The fact that the US balance-of-payments deficit for the second quarter was the smallest since 1970 helped the recovery.

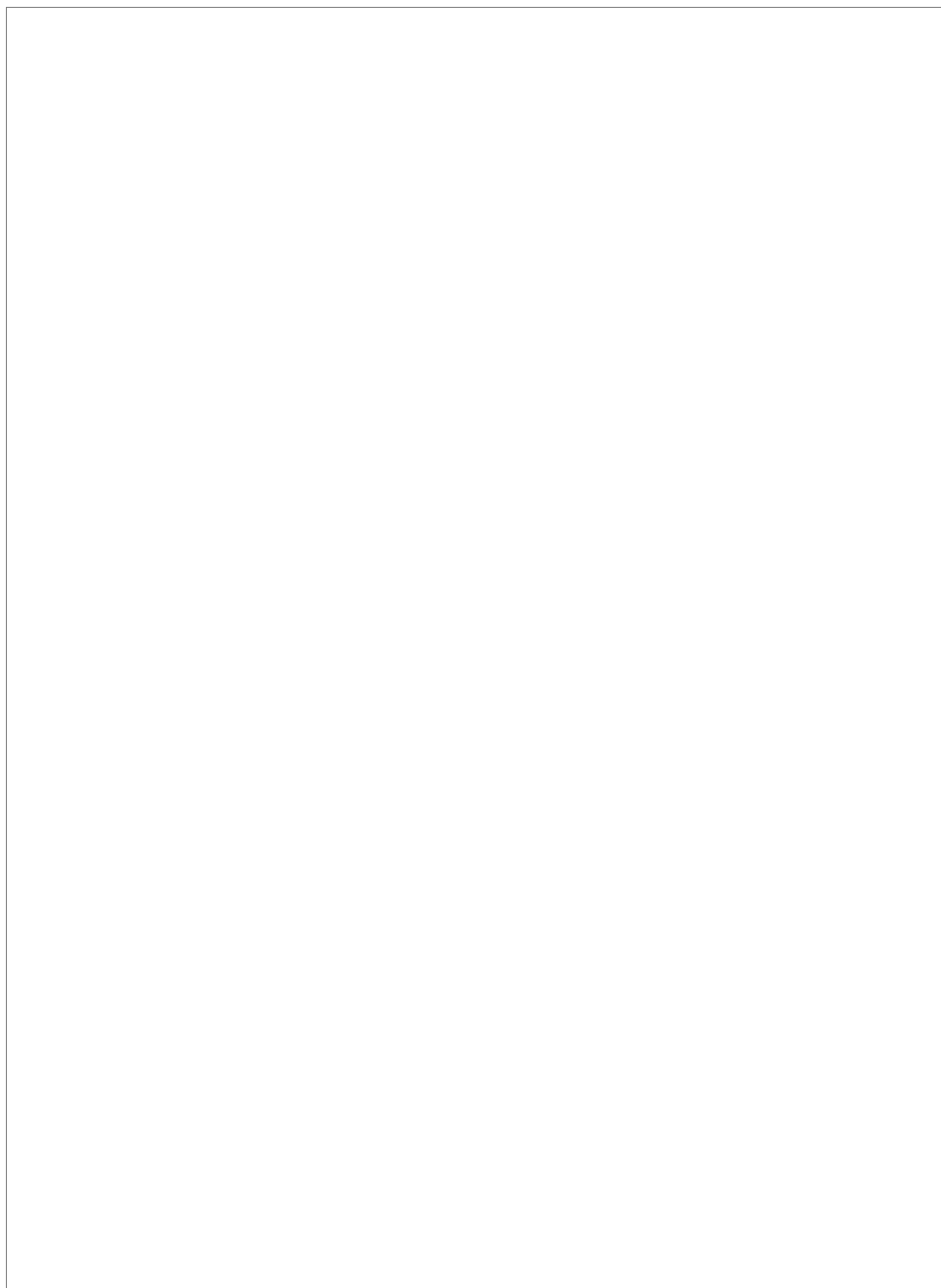
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KUWAIT-FRANCE

The US Embassy in Beirut has acquired information that the Kuwaiti Air Force wants the government to purchase a squadron of Mirage interceptor aircraft. French defense officials reportedly are now in Kuwait to submit a final proposal for sale of the aircraft.

The Kuwaitis have been anxious to modernize their air force since the Iraqi incursion into Kuwait last May. Among the aircraft under consideration are US-produced F-5 interceptors and A-7 ground-attack fighters as well as the French-built Mirages. No contracts have yet been signed.

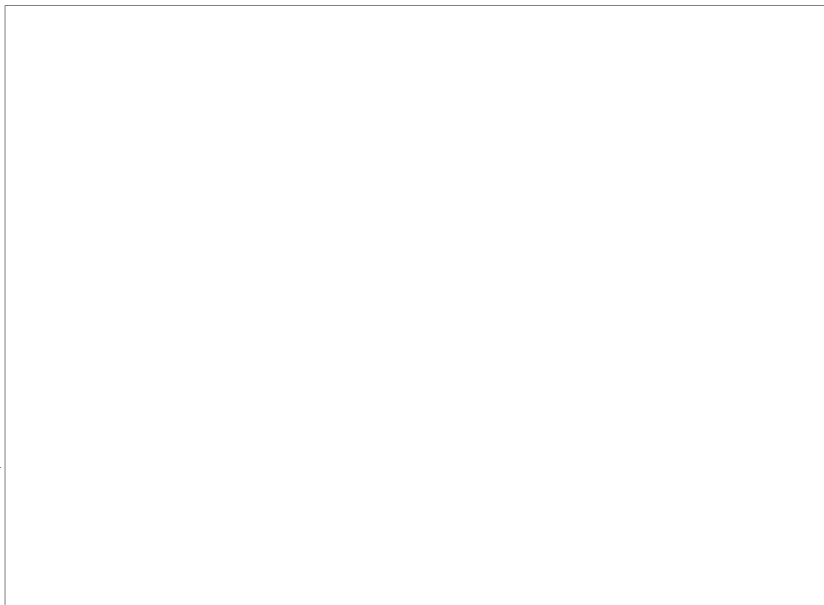
France has been vigorously trying to capture a greater share of the arms market in the Middle East. If the Kuwaitis purchase the Mirages, they would have little need for the F-5 interceptors. Among Kuwait's problems with buying US planes are the restrictions placed by the US on the transfer and use of such aircraft.



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CHINA



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NOTE

USSR: [REDACTED] after a pause, the Soviets have resumed work on what probably is their second aircraft carrier. The ship is still in the initial stages of construction and may not be ready for launching until 1975. The Soviets' first carrier, which was launched in December 1972, is still fitting out. This work could be completed next year. Crews will have to acquire operational experience with shipborne helicopters and vertical and short takeoff-and-landing aircraft, however, before the ship will be ready for action.

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